# Inglis

ANNUAL REPORT

File

1967

# DIRECTORS AND OFFICERS

## DIRECTORS

CHARLES-ÉMILE BÉLANGER
JOHN A. BOYD
AIR MARSHAL HUGH CAMPBELL, C.B.E., C.D.
STUART M. FINLAYSON
WILLIAM M. HURTON, C.B.E.
CONDE G. MAIDEN
THE RT. HON. LORD NELSON OF STAFFORD
J. GEOFFREY NOTMAN, O.B.E.
HAROLD NUTTALL
GEORGE A. RIDDELL
HUMPHREY B. STYLE

## OFFICERS

| | |
|---|---|
| HAROLD NUTTALL | PRESIDENT AND CHIEF EXECUTIVE OFFICER |
| R. BARRETT SIMPSON | VICE-PRESIDENT FINANCE AND TREASURER |
| FRANK O. PRICE | VICE-PRESIDENT MARKETING |
| JAMES A. LYONS | VICE-PRESIDENT ADMINISTRATION |
| PERCIVAL J. BALDWIN | SECRETARY |

## BANKERS

BANK OF MONTREAL

## TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY
253 Bay Street, Toronto 1
600 Dorchester Blvd. West, Montreal 2

## AUDITORS

CLARKSON, GORDON & CO., CHARTERED ACCOUNTANTS
15 Wellington St., West, Toronto 1

JOHN INGLIS CO. LIMITED, 14 STRACHAN AVE., TORONTO 3, CANADA

# REPORT OF THE BOARD OF DIRECTORS

## *To the Shareholders:*

Your Directors present herewith the Annual Report of your Company for the year ended December 30, 1967.

The result for the year is a net profit of $1,929,713 on sales of $31,700,757, compared with a net profit of $1,525,963 for the previous year on total sales of $38,173,927. As reported in the Notes to the Financial Statements, no income taxes are payable on the profits for the year.

Last year we recorded our anticipation that 1967 would much more accurately reflect our consumer product operations, and this turned out to be the case.

For the first time in six years your Company has moved into a surplus position with a surplus carried forward at the end of the year of $748,292, a figure to be compared with the maximum deficit of $2,826,144 reached in 1964.

At this juncture, pending further improvement in the position, your Board would not recommend payment of a dividend. However, this is not possible in any case at the moment owing to the restriction in the $2,500,000 Convertible Loan Agreement which requires Working Capital to be not less than $5,500,000 before dividends are payable. Substantial additions to fixed assets amounting to $6,420,534 during the year, also preproduction expenses of $1,104,078 incurred in connection with our new plant at Stoney Creek, resulted in Working Capital being reduced to $5,162,024 at the end of 1967.

## EQUIPMENT DIVISION

No sales were recorded for this Division during the year but rectification work to equipment previously delivered resulted in costs of $151,350 in excess of amounts provided. In 1966 sales were $5,766,676 and the net loss was $864,826.

Considerable progress was achieved during the year in rectifying faulty equipment but additional work remains to be done. Full provision has been made for all known claims and expected costs.

## CONSUMER PRODUCTS DIVISION

Profit for the year in this Division was $2,081,063 on sales of $31,700,757 compared with $2,390,789 in the previous year on sales of $32,407,251.

The improvement in sales performance in the second half of 1967, forecast in our last Semi-Annual Report, was achieved and the second half of the year showed an increase in sales of 4.3% compared with the same period in 1966. As previously reported, sales for the first half of 1967 were down 11.9%. As a result of subsequent improvement total sales for 1967 were down only 2.2% on the previous year and if allowance is made for the extra week in our 1966 fiscal year it will be seen that sales for 1967 were almost level with 1966. Reasons for the lack of growth were given in our last Semi-Annual Report.

Overall profitability of our consumer products operations declined from 7.4% to 6.6% on sales due mainly to increased costs of labour and materials which could not be recovered by corresponding increases in selling prices. This follows the general pattern of our industry. To offset this trend substantial expenditures were made during 1967 on cost reduction projects which are expected to contribute to improved profit margins in 1968.

The new refrigerator manufacturing plant at Stoney Creek in Saltfleet Township was completed on schedule within the cost estimates and a pilot production run processed by the end of the year, with commercial production scheduled to begin early in January 1968. The heavy expense required to bring the new plant into production has been deferred to be amortized over the next five years. There will, however, be substantial expenses in 1968 to increase production skills and develop our market. It is expected, therefore, that this plant will not contribute to profits in 1968.

Customer acceptance of your Company's quality products remains high and the Company has maintained its major share of the industry's market.

Your Directors wish to record their appreciation of the loyalty, support and efforts of the Company's employees throughout the year.

On behalf of the Board,

H. Nuttall

HAROLD NUTTALL
PRESIDENT AND CHIEF EXECUTIVE OFFICER

February 23, 1968

# BALANCE SHEET JOHN INGLIS CO

## ASSETS

| CURRENT: | 1967 | 1966 |
|---|---|---|
| Accounts receivable | $ 5,006,116 | $ 5,982,194 |
| Accounts receivable from parent and affiliated companies | 72,665 | |
| Inventories, valued at the lower of cost or market, less progress billings on contracts | 8,205,270 | 8,760,592 |
| Prepaid expenses | 27,619 | 51,908 |
| | 13,311,670 | 14,794,694 |
| FIXED: | | |
| Land, buildings and equipment, at cost | 11,689,535 | 6,397,920 |
| Less accumulated depreciation | 4,006,297 | 3,773,583 |
| | 7,683,238 | 2,624,337 |
| Unamortized tooling costs | 978,000 | 97,650 |
| | 8,661,238 | 2,721,987 |
| OTHER: | | |
| Deferred preproduction expenses (Note 2) | 1,339,299 | 235,221 |
| | $23,312,207 | $17,751,902 |

On behalf of the Board:

H. NUTTALL, DIRECTOR
H. B. STYLE, DIRECTOR

LIMITED (Incorporated under the laws of Ontario) DECEMBER 30, 1967 (with comparative figures for 1966)

## LIABILITIES

| | 1967 | 1966 |
|---|---|---|
| CURRENT: | | |
| Bank advances (secured) | $ 2,573,474 | $ 1,371,367 |
| Accounts payable and accrued charges | 5,153,513 | 3,924,804 |
| Accounts payable to parent and affiliated companies | | 6,036 |
| Sales and other taxes payable | 422,659 | 361,999 |
| | 8,149,646 | 5,664,206 |
| PROVISION FOR WARRANTY | 600,000 | 600,000 |
| LOAN FROM PARENT COMPANY | | 326,414 |
| SINKING FUND DEBENTURES — 6% due April 1, 1967 | | 3,028,434 |
| DEBENTURE — 7% due March 31, 1970 | 2,000,000 | |
| CONVERTIBLE LOAN (Note 3) | 2,500,000 | |
| SHAREHOLDERS' EQUITY: | | |
| Capital (Note 3) — | | |
| Authorized — 1,500,000 shares of no par value | | |
| Issued — 1,107,498 shares | 9,314,269 | 9,314,269 |
| Earned surplus (deficit) | 748,292 | (1,181,421) |
| | 10,062,561 | 8,132,848 |
| | $23,312,207 | $17,751,902 |

# JOHN INGLIS CO. LIMITED

**YEAR ENDED DECEMBER 30, 1967** (with comparative figures for 1966)

## STATEMENT OF PROFIT AND LOSS

| | 1967 | 1966 |
|---|---|---|
| Sales | $31,700,757 | $38,173,927 |
| Profit on operations before the undernoted (Note 4) | $ 2,633,447 | $ 2,212,686 |
| Less: | | |
| Depreciation and amortization | 481,283 | 366,723 |
| Interest on long term debt | 131,092 | 251,053 |
| Other interest expense | 91,359 | 68,947 |
| | 703,734 | 686,723 |
| Net profit for the year (Note 5) | $ 1,929,713 | $ 1,525,963 |

## STATEMENT OF EARNED SURPLUS

| | 1967 | 1966 |
|---|---|---|
| Earned surplus (deficit) at beginning of year | $(1,181,421) | $(2,660,634) |
| Net profit for the year | 1,929,713 | 1,525,963 |
| | 748,292 | (1,134,671) |
| Loss on sale of Equipment Division assets | | 46,750 |
| Earned surplus (deficit) at end of year | $ 748,292 | $(1,181,421) |

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

| | 1967 | 1966 |
|---|---|---|
| Funds were provided from: | | |
| Net profit for the year | $ 1,929,713 | $ 1,525,963 |
| Depreciation and amortization | 481,283 | 366,723 |
| Proceeds from 7% Debenture | 2,000,000 | |
| Proceeds from Convertible Loan | 2,500,000 | |
| Sale of Equipment Division assets | | 663,250 |
| Sale of shares of subsidiary company | | 1,000 |
| | 6,910,996 | 2,556,936 |
| Funds were expended on: | | |
| Additions to fixed assets | 6,420,534 | 1,160,140 |
| Reduction in loan from parent company | 326,414 | 1,143,586 |
| Redemption of Sinking Fund Debentures | 3,028,434 | |
| Deferred preproduction expenses | 1,104,078 | 235,221 |
| | 10,879,460 | 2,538,947 |
| Resulting in a (decrease) increase in working capital of | (3,968,464) | 17,989 |
| Working capital at beginning of year | 9,130,488 | 9,112,499 |
| Working capital at end of year | $ 5,162,024 | $ 9,130,488 |

## NOTES TO FINANCIAL STATEMENTS

1. The comparative figures for 1966 have been restated to conform with the 1967 presentation.
2. Preproduction expenses related to the new refrigerator facility have been deferred and will be amortized over the first five years of operation commencing 1968.
3. During the year, Whirlpool Corporation advanced $2,500,000 at 5½% to the Company as an unsecured Convertible Loan maturing December 31, 1971. The Loan Agreement provides as follows:
   (a) The interest rate is subject to adjustment with changes in the bank prime rate in the United States.
   (b) The Company is restricted from paying dividends which exceed 50% of the net income or which would reduce the net working capital below $5,500,000.
   (c) During the three years, 1969-1971, Whirlpool has the option of converting the Loan into 208,333 shares of the Company's unissued capital stock on the basis of $12.00 per share.
4. The operating results for 1967 include a loss of $151,350 on Equipment Division contracts. This represents further expenses and additional provisions for excess costs incurred or anticipated in the phasing out of the Equipment Division. The Company is still contingently liable on several Equipment Division contracts on which equipment has been installed and is operating but not yet accepted by the purchasers. Provision has been made in the accounts for all known claims and the Company does not expect any further liability.
5. No income taxes are payable on the current year's profit because depreciation and amortization previously written off in the accounts are being claimed for tax purposes in the year. Preproduction expenses deferred in the accounts are also being claimed for tax purposes. The net amount available to reduce taxable income of future years is estimated at approximately $1,050,000.
6. The aggregate direct remuneration for the year paid or payable to directors and senior officers amounts to $185,482.
7. Based on the latest actuarial valuation of the Company's Pension and Retirement Plans, it is estimated that the unfunded obligation of the Company for pension benefits in respect of service rendered by employees to December 30, 1967, is approximately $1,777,000. The Company plans to fund this obligation by 22 equal annual payments to the Trustee. Pension costs are absorbed against income as payments are made to the Trustee.

## AUDITORS' REPORT

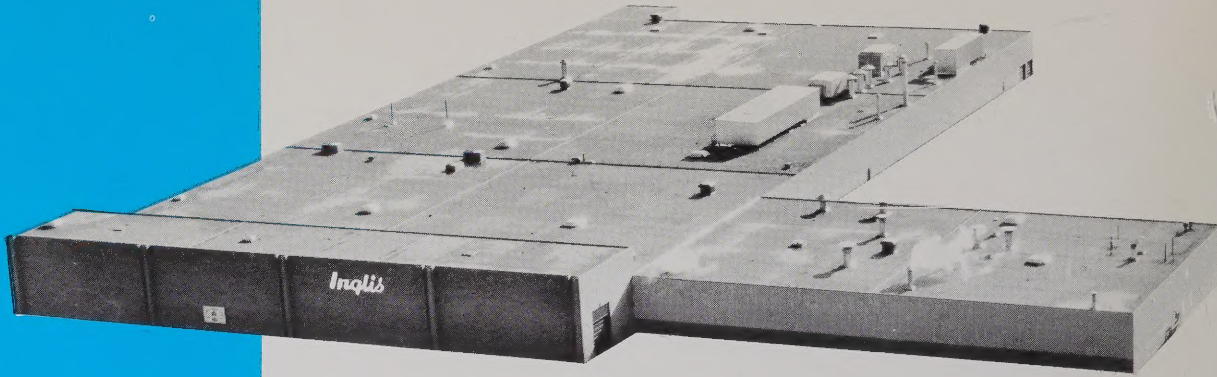
To the Shareholders of
John Inglis Co. Limited:

We have examined the balance sheet of John Inglis Co. Limited as at December 30, 1967 and the statements of profit and loss and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

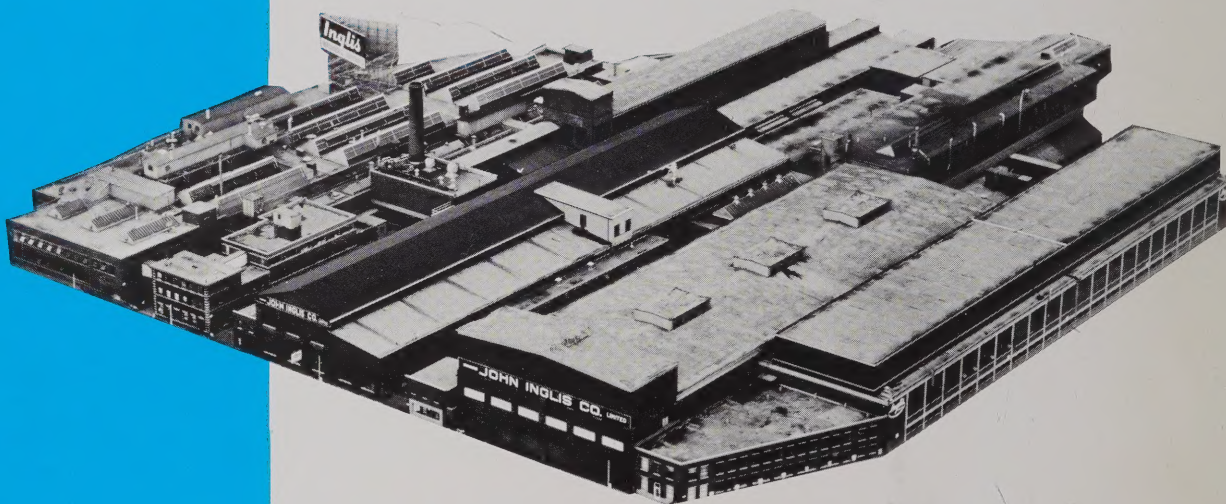
In our opinion these statements present fairly the financial position of the company as at December 30, 1967 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 26, 1968.

CLARKSON, GORDON & CO.
Chartered Accountants.




INGLIS STONEY CREEK PLANT NEAR HAMILTON WHERE REFRIGERATORS AND FREEZERS ARE MADE.




INGLIS STRACHAN AVENUE PLANT WHERE DOMESTIC LAUNDRY EQUIPMENT, DISHWASHERS, FUEL PUMPS AND WATER HEATERS ARE MADE.

## YOUR COMPANY'S PRODUCTS

- **AUTOMATIC WASHERS AND DRYERS**
- **WRINGER WASHERS**
- **DISHWASHERS**
- **WATER HEATERS**
- **OIL BURNER FUEL PUMPS**
- **REFRIGERATORS AND FREEZERS**

Inglis

JOHN INGLIS CO. LIMITED · TORONTO, ONTARIO